

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CITY OF SCOTTVILLE	County MASON
Fiscal Year End 6/30/06	Opinion Date 08/17/06	Date Audit Report Submitted to State 9/27/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- US NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	NO COMMENTS	
Other (Describe)	<input type="checkbox"/>	NO OTHER REPORTS REQUIRED	
Certified Public Accountant (Firm Name) Brickley DeLong, PLC		Telephone Number (231) 726-3157	
Street Address 500 Terrace Plaza, P.O. Box 999		City Muskegon	State MI
Zip 49443			
Authorizing CPA Signature <i>Timothy D. Arter, CPA for Brickley DeLong, PLC</i>		Printed Name TIMOTHY D. ARTER	License Number 10253

City of Scottville
Mason County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2006

City of Scottville
LIST OF ELECTED AND APPOINTED OFFICIALS
June 30, 2006

Mayor Leon Begue

Mayor Pro Tem Cindy Gleason

City Commission Bonnie Pfefferle
Richard Maki
Ron Merrill
Joe Baxter
Donna Baker Petersen

APPOINTED OFFICIALS

City Manager/Clerk Amy Hansen

Deputy City Clerk/Utility Clerk Deborah Howe

Finance Officer/Treasurer Susan Oppermann

Police Chief Larry Nichols

City of Scottville

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This discussion and analysis is intended to serve as an introduction to the City of Scottville's basic financial statements. This report consists of a series of financial statements for the City as of June 30, 2006. The City's basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City operations in more detail than the government-wide financial statements.

This report also contains other required supplementary information in addition to the basic financial statements themselves.

FINANCIAL HIGHLIGHTS

At the close of the fiscal year the City of Scottville had total assets of \$10,395,626 and total liabilities of \$3,466,511 leaving total net assets of \$6,929,115. Of this amount, \$742,244 (unrestricted net assets) may be used to meet the ongoing obligations to citizens and creditors. The City has heavy infrastructure investments in water and sewer, evidenced by business-type total net assets of \$5,159,130, over 75% of total net assets.

Governmental activities had net income of \$6,562 and business-type activities had net loss of \$55,584.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances. The statements are similar to those of a private sector business.

The Statement of Net Assets presents information of all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide statements mentioned above distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business type activities). The government activities of the City include general government, public safety, public works, and cultural and recreational activities. The business-type activities of the City include the water and sewer services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories; governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on current sources, uses, and balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Major Streets Fund. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds

The City has two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds financial statements provide separate information for the Water and Sewer funds, both of which are major funds.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the City's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary information as it relates to the actual expenditures for the General Fund.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on budgetary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Recall that the Statement of Net Assets provides the perspective of the City as a whole. The first table presented below provides a summary of the City's net assets. As of June 30, 2006 the City's net assets from governmental activities totaled \$1,769,985 and \$5,159,130 from business-type activities, creating a government-wide net asset total of \$6,929,115. For comparison purposes as of June 30, 2005, the City's net assets from governmental activities totaled \$1,763,423 and \$5,214,714 from business-type activities, creating a government wide net asset total of \$6,978,137.

In examining composition of net assets, the reader should note that the amount of governmental activities net assets that are invested in capital assets (i.e., streets, buildings, furniture and equipment, etc.). These assets are used to provide services to the residents, and are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities actually depict a balance of \$535,970. This represents the amount of discretionary cash or investments that can be used for general government operations.

For governmental activities, capital assets and the corresponding investment in capital assets net of related debt net assets category increased due to the purchase of a new dump truck and work done on West Johnson road. Noncurrent liabilities increased and unrestricted net assets decreased due to an increase in estimated future landfill remediation costs.

The business-type activities show a total of \$5,159,130 in net assets and \$206,274 in unrestricted net assets. The Sewer Fund and Water Fund unrestricted net assets are \$13,098 and \$187,241, respectively.

For business-type activities, current liabilities decreased due to the payment of an advance from the County.

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current assets and other assets	\$ 1,443,086	\$ 1,413,868	\$ 492,497	\$ 526,554	\$ 1,935,583	\$ 1,940,422
Capital assets	900,340	770,303	7,559,703	7,732,911	8,460,043	8,503,214
Total assets	2,343,426	2,184,171	8,052,200	8,259,465	10,395,626	10,443,636
Current liabilities	171,583	124,461	134,257	228,473	305,840	352,934
Noncurrent liabilities	401,858	296,287	2,758,813	2,816,278	3,160,671	3,112,565
Total liabilities	573,441	420,748	2,893,070	3,044,751	3,466,511	3,465,499

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Net assets						
Invested in capital assets, net of related debt	\$ 807,282	\$ 680,614	\$ 4,735,390	\$ 4,774,333	\$ 5,542,672	\$ 5,454,947
Restricted	426,733	462,869	217,466	185,629	644,199	648,498
Unrestricted	535,970	619,940	206,274	254,752	742,244	874,692
Total net assets	<u>\$ 1,769,985</u>	<u>\$ 1,763,423</u>	<u>\$ 5,159,130</u>	<u>\$ 5,214,714</u>	<u>\$ 6,929,115</u>	<u>\$ 6,978,137</u>

Changes in Net Assets

The results of this year's operations for the City as a whole are reported in the Statement of Activities, which shows the changes in net assets for fiscal year 2006. You will also see a revenue and expense comparison from fiscal year 2005.

Governmental Activities

During the fiscal year ending June 30, 2006, the City experienced an overall increase in the net assets of \$6,562. The following table shows these results.

Property taxes increased due to growth in the City's taxable value. Investment earnings increased as a result of higher interest rates. Public works expense increased due to an increase in the estimate of future landfill remediation costs.

Business-type Activities

During the fiscal year ending June 30, 2006, the City experienced an overall decrease in the net assets of \$55,584 or approximately 1%. The following table shows these results.

The only significant difference between the current year and previous year was the decrease in capital contributions. The capital contribution in the previous year was from Mason County for a wastewater project.

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues						
Charges for services	\$ 188,975	\$ 179,348	\$ 477,886	\$ 476,497	\$ 666,861	\$ 655,845
Operating grants	132,112	128,433	-	-	132,112	128,433
Capital grants and contributions	28,986	49,800	13,688	736,567	42,674	786,367
General revenues						
Property taxes	427,029	397,321	-	-	427,029	397,321
Grants and contributions not restricted	163,286	165,967	-	-	163,286	165,967
Unrestricted investment earnings	44,848	21,198	15,352	7,897	60,200	29,095
Miscellaneous	12,290	14,826	-	-	12,290	14,826
Total revenues	<u>997,526</u>	<u>956,893</u>	<u>506,926</u>	<u>1,220,961</u>	<u>1,504,452</u>	<u>2,177,854</u>

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Expenses:						
General government	\$ 261,175	\$ 239,883	\$ -	\$ -	\$ 261,175	\$ 239,883
Public safety	186,194	187,578	-	-	186,194	187,578
Public works	413,124	284,190	-	-	413,124	284,190
Culture and recreation	125,577	132,882	-	-	125,577	132,882
Interest on long term debt	4,894	6,250	-	-	4,894	6,250
Sewer Fund	-	-	400,708	409,110	400,708	409,110
Water Fund	-	-	161,802	161,868	161,802	161,868
Total expenses	990,964	850,783	562,510	570,978	1,553,474	1,421,761
Change in net assets	6,562	106,110	(55,584)	649,983	(49,022)	756,093
Net assets - Beginning	1,763,423	1,657,313	5,214,714	4,564,731	6,978,137	6,222,044
Net assets - Ending	\$ 1,769,985	\$ 1,763,423	\$ 5,159,130	\$ 5,214,714	\$ 6,929,115	\$ 6,978,137

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As stated earlier in this discussion and analysis, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2006 fiscal year, the governmental funds reported a combined undesignated fund balance of \$1,002,440 of which \$713,421 is in the General Fund. There were no unreserved fund deficits in any of the City's governmental funds. The remainder of the fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed to 1) pay debt service \$1,196; 2) pay capital purchases and liquidate inventories and prepaids \$42,027; 3) pay maintenance of rights of way \$14,238; 4) pay improvements for Riverside Park \$43,716; and 5) reserves for perpetual care \$88,822.

The General Fund is the chief operating fund of the City. The General Fund pays for administration, public safety, general public works, assessments, elections, legal, recreation, boards and commissions, and other minor functions. The General Fund ended the year with a fund balance of \$762,560, an increase of \$35,098 from fiscal year 2005. The health of the General Fund may be measured by the ratio of unreserved General Fund balance to annual General Fund expenditures. Unreserved fund balance represents 117% of the General Fund expenditures.

The Major Streets Fund ended the year with a fund balance of \$170,842, a decrease of \$24,909 from fiscal year 2005. The combined non-major governmental funds realized a small decrease in fund balance of \$10,031 for the fiscal year.

Proprietary funds

The City's proprietary funds provide the same type of information found in the governmental financial statement, but in more detail. Net assets of the Sewer Fund decreased by \$78,441, while the Water Fund increased by \$23,481. The result was an overall decrease of \$54,960.

Budget Amendments and Variances

At various times throughout any budget year, budget amendments are needed to reflect changing financial conditions and changes to financial policy. The General Fund amended its budget to account for some increased professional services expenditures and a transfer to the Local Streets Fund for street maintenance work. Major Streets and Local Streets funds made amendments to account for additional street maintenance expenses. The Garbage and Refuse Collection Fund amended its budget for increased costs associated with the landfill closure expenses and finally the Motor Pool Fund increased its budget to account for the purchase of a new dump truck.

The General Fund did not have any significant variances between the final budget and actual expenditures.

Capital Asset Administration

The City's most significant capital asset expenditure this year was the purchase of a dump truck for \$94,724 and work done on West Johnson Road for \$74,097. The City also incurred preliminary costs of \$12,075 on a new boat launch project.

Debt Administration

As of June 30, 2006 the City had outstanding long-term liabilities of \$3,305,271 consisting of various general obligation bonds, revenue bonds, Michigan Transportation Fund Bonds, installment purchases, landfill remediation costs and compensated absences. The only new debt in the current year was a new installment purchase in the amount of \$53,458 used to purchase a new dump truck.

On the governmental side of the City, the largest source of debt is the landfill remediation costs. The liability is estimated each year based on the average actual costs over the three most recent years, then extrapolated to the number of years remaining. The change in estimate is shown as an increase in the debt in the current year. The balance of the landfill remediation liability at June 30, 2006 is 350,000 or 11% of total debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Scottville's 2006-07 budget calls for a decrease in the City's Operating Millage from 17.3659 to 17.30160 due to a Headlee Rollback. Even with the decrease in millage the City will have an increase in total tax collections as the City's taxable value has increased significantly. The taxable value increase was largely due in part to two 425 Agreements that were approved in the previous fiscal year. The first was with Custer Township on 22 acres and the second was with Amber Township for approximately 12 acres.

The City did not increase water rates in the past fiscal year, however, this option is still being considered for the upcoming fiscal year. The City is planning to purchase a new backhoe, a new four-wheel drive pick-up and a used two-wheel drive pick-up in this fiscal year.

As mentioned in last year's Management and Discussion Analysis, the City applied for two DNR Grants which we did receive. The first grant was for the Boat Launch project in which the DNR awarded us \$82,300 and the second was for Riverside Park Campground Upgrades, in which the DNR awarded us \$284,400. Both of these projects are scheduled to start in the 2006/2007 fiscal year.

The City has also applied for a grant from the DNR for the construction of a Community Playground at McPhail field. If the grant is awarded the City is planning to start construction on the playground in the spring of 2007. The estimated cost of this project is \$80,000.

The City is also planning to purchase the Healy Dodge Chrysler property on South Main Street. The cost of this property is \$125,000. The City is also pursuing options on the possibility of constructing a new City Hall on that site or possibly remodeling it's current facility.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, residents, voters, customers and investors with a general overview of the City's finances as well as to depict the City's accountability for the money it receives and spends. If you have questions about this report or need additional information, we welcome you to contact City Hall at 231-757-4729, Scottville City Hall, located at 105 North Main Street, Scottville, MI 49454.

Scottville City Hall is open Monday through Friday from 8:00 AM to 5:00 PM excluding most national holidays.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

August 17, 2006

City Commission
City of Scottville
Scottville, Michigan

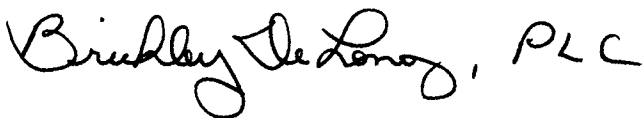
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Scottville as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Scottville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Scottville as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The managements' discussion and analysis and budgetary comparison information on pages i - vii and 28 - 29 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Scottville's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



City of Scottville
STATEMENT OF NET ASSETS
June 30, 2006

ASSETS

	Governmental activities	Business-type activities	Total
CURRENT ASSETS			
Cash and investments	\$ 1,346,019	\$ 213,605	\$ 1,559,624
Receivables	24,041	41,979	66,020
Internal balances	(5,935)	5,935	-
Due from other governmental units	70,584	-	70,584
Inventories	2,954	11,612	14,566
Prepaid items	5,423	-	5,423
Total current assets	1,443,086	273,131	1,716,217
NONCURRENT ASSETS			
Restricted assets	-	219,366	219,366
Capital assets, net			
Nondepreciable	264,532	6,457	270,989
Depreciable	635,808	7,553,246	8,189,054
Total noncurrent assets	900,340	7,779,069	8,679,409
Total assets	2,343,426	8,052,200	10,395,626
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	58,873	22,249	81,122
Customer deposits	-	7,130	7,130
Due to other governmental units	21,810	39,378	61,188
Deferred revenue	11,800	-	11,800
Bonds and other obligations, due within one year	79,100	65,500	144,600
Total current liabilities	171,583	134,257	305,840
NONCURRENT LIABILITIES			
Bonds and other obligations, less amounts due within one year	401,858	2,758,813	3,160,671
Total liabilities	573,441	2,893,070	3,466,511
NET ASSETS			
Invested in capital assets, net of related debt	807,282	4,735,390	5,542,672
Restricted for:			
Streets and highways	214,357	-	214,357
Debt service	-	91,371	91,371
Capital projects	33,650	126,095	159,745
Perpetual care - nonexpendable	88,822	-	88,822
Garbage refuse and collection	41,401	-	41,401
Downtown development	48,503	-	48,503
Unrestricted	535,970	206,274	742,244
Total net assets	\$ 1,769,985	\$ 5,159,130	\$ 6,929,115

The accompanying notes are an integral part of this statement.

City of Scottville
STATEMENT OF ACTIVITIES
For the year ended June 30, 2006

<i>Functions/Programs</i>	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities							
General government	\$ 261,175	\$ 29,500	\$ -	\$ -	\$ (231,675)	\$ -	\$ (231,675)
Public safety	186,194	1,887	703	-	(183,604)	-	(183,604)
Public works	413,124	30,435	131,409	28,986	(222,294)	-	(222,294)
Culture and recreation	125,577	127,153	-	-	1,576	-	1,576
Interest on long-term debt	4,894	-	-	-	(4,894)	-	(4,894)
Total governmental activities	990,964	188,975	132,112	28,986	(640,891)	-	(640,891)
Business-type activities							
Sewer	400,708	302,110	-	13,688	-	(84,910)	(84,910)
Water	161,802	175,776	-	-	-	13,974	13,974
Total business-type activities	562,510	477,886	-	13,688	-	(70,936)	(70,936)
Total government	<u>\$ 1,553,474</u>	<u>\$ 666,861</u>	<u>\$ 132,112</u>	<u>\$ 42,674</u>	(640,891)	(70,936)	(711,827)
General revenues							
Property taxes					427,029	-	427,029
Grants and contributions not restricted to specific programs					163,286	-	163,286
Unrestricted investment earnings					44,848	15,352	60,200
Miscellaneous					10,290	-	10,290
Gain on sale of capital assets					2,000	-	2,000
Total general revenues					647,453	15,352	662,805
Change in net assets					6,562	(55,584)	(49,022)
Net assets at July 1, 2005					1,763,423	5,214,714	6,978,137
Net assets at June 30, 2006					<u>\$ 1,769,985</u>	<u>\$ 5,159,130</u>	<u>\$ 6,929,115</u>

The accompanying notes are an integral part of this statement.

City of Scottville
BALANCE SHEET
Governmental Funds
June 30, 2006

	General Fund	Major Streets Fund	Other governmental funds	Total governmental funds
ASSETS				
Cash and investments	\$ 737,425	\$ 183,390	\$ 258,345	\$ 1,179,160
Accounts receivable	24,029	-	12	24,041
Due from other governmental units	52,103	14,110	4,371	70,584
Inventories	-	-	2,954	2,954
Prepaid items	5,423	-	-	5,423
Total assets	<u>\$ 818,980</u>	<u>\$ 197,500</u>	<u>\$ 265,682</u>	<u>\$ 1,282,162</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 22,685	\$ 19,323	\$ 5,702	\$ 47,710
Accrued liabilities	8,026	89	288	8,403
Due to other governmental units	13,909	7,246	655	21,810
Deferred revenue	11,800	-	-	11,800
Total liabilities	56,420	26,658	6,645	89,723
Fund balances				
Reserved for:				
Inventories	-	-	2,954	2,954
Prepaid items	5,423	-	-	5,423
Debt service	-	-	1,196	1,196
Capital projects	-	-	33,650	33,650
Rights of way maintenance	-	-	14,238	14,238
Perpetual care	-	-	88,822	88,822
Unreserved				
Designated for Riverside Park improvements	43,716	-	-	43,716
Undesignated, reported in				
General Fund	713,421	-	-	713,421
Special revenue funds	-	170,842	118,177	289,019
Total fund balances	<u>762,560</u>	<u>170,842</u>	<u>259,037</u>	<u>1,192,439</u>
Total liabilities and fund balances	<u>\$ 818,980</u>	<u>\$ 197,500</u>	<u>\$ 265,682</u>	<u>\$ 1,282,162</u>

The accompanying notes are an integral part of this statement.

City of Scottville
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS**
 June 30, 2006

Total fund balance—governmental funds		\$ 1,192,439
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$ 1,090,244	
Accumulated depreciation	<u>(407,421)</u>	682,823

Accrued interest in governmental activities is not reported in the governmental funds.		(1,000)
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Long-term liabilities in governmental activities are not due and payable in the
current period and are not reported in the governmental funds.

Bonds and notes payable	(39,600)	
Landfill remediation cost	(350,000)	
Compensated absences	<u>(37,900)</u>	(427,500)

Internal service funds are used by management to charge the costs of certain activities to
individual funds. The assets and liabilities of the internal service funds are reported with
governmental activities in the Statement of Net Assets.

		<u>323,223</u>
Net assets of governmental activities in the Statement of Net Assets		\$ <u><u>1,769,985</u></u>

The accompanying notes are an integral part of this statement.

City of Scottville
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended June 30, 2006

	General Fund	Major Streets Fund	Other governmental funds	Total governmental funds
REVENUES				
Property taxes	\$ 353,148	\$ -	\$ 73,881	\$ 427,029
Licenses and permits	7,343	-	-	7,343
Intergovernmental revenues				
Federal	-	28,986	-	28,986
State	163,989	93,646	30,901	288,536
Charges for services	148,261	-	31,485	179,746
Fines and forfeitures	1,887	-	-	1,887
Investment earnings	29,606	6,132	10,746	46,484
Other	10,290	-	-	10,290
Total revenues	714,524	128,764	147,013	990,301
EXPENDITURES				
Current				
General government	243,325	-	13,515	256,840
Public safety	180,839	-	-	180,839
Public works	100,332	44,956	124,215	269,503
Culture and recreation	113,734	-	-	113,734
Debt service				
Principal	1,089	-	77,226	78,315
Interest and fees	32	-	4,708	4,740
Capital outlay	12,075	74,097	-	86,172
Total expenditures	651,426	119,053	219,664	990,143
Excess of revenues over (under) expenditures	63,098	9,711	(72,651)	158
OTHER FINANCING SOURCES (USES)				
Transfers in	3,000	354	94,163	97,517
Transfers out	(31,000)	(34,974)	(31,543)	(97,517)
Total other financing sources (uses)	(28,000)	(34,620)	62,620	-
Net change in fund balances	35,098	(24,909)	(10,031)	158
Fund balances at July 1, 2005	727,462	195,751	269,068	1,192,281
Fund balances at June 30, 2006	\$ 762,560	\$ 170,842	\$ 259,037	\$ 1,192,439

The accompanying notes are an integral part of this statement.

City of Scottville
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
For the year ended June 30, 2006

Net change in fund balances—total governmental funds	\$	158
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (23,840)	
Capital outlay	<u>86,172</u>	62,332

Change in estimated costs of landfill remediation.		(134,626)
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Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		78,315
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Interest expense on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in the governmental funds until paid.		1,146
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Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.		(3,858)
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The internal service funds are used by management to charge the costs of equipment used to individual funds. The net revenue of the internal service funds is reported with governmental activities.		<u>3,095</u>
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Change in net assets of governmental activities	\$	<u><u>6,562</u></u>
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The accompanying notes are an integral part of this statement.

City of Scottville
STATEMENT OF NET ASSETS
Proprietary Funds
June 30, 2006

ASSETS

	Business-type Activities - Enterprise funds			Governmental activities- Internal service fund
	Sewer	Water	Total	
CURRENT ASSETS				
Cash and investments	\$ 24,702	\$ 188,903	\$ 213,605	\$ 166,859
Accounts receivable	31,921	10,058	41,979	-
Inventories	-	11,612	11,612	-
Total current assets	56,623	210,573	267,196	166,859
NONCURRENT ASSETS				
Restricted assets	126,095	93,271	219,366	-
Capital assets				
Land	-	6,457	6,457	-
Utility systems	7,217,840	1,311,496	8,529,336	-
Buildings and improvements	-	-	-	17,748
Equipment and furniture	18,397	58,497	76,894	749,359
Less accumulated depreciation	(453,482)	(599,502)	(1,052,984)	(549,590)
Net capital assets	6,782,755	776,948	7,559,703	217,517
Total noncurrent assets	6,908,850	870,219	7,779,069	217,517
Total assets	6,965,473	1,080,792	8,046,265	384,376
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	527	-	527	282
Accrued liabilities	19,514	2,208	21,722	1,478
Customer deposits	-	7,130	7,130	-
Due to other governmental units	23,484	15,894	39,378	-
Bonds and other obligations, due within one year	31,500	34,000	65,500	10,000
Total current liabilities	75,025	59,232	134,257	11,760
NONCURRENT LIABILITIES				
Bonds and other obligations, less amounts due within one year	2,401,938	356,875	2,758,813	43,458
Total liabilities	2,476,963	416,107	2,893,070	55,218
NET ASSETS				
Invested in capital assets, net of related debt	4,349,317	386,073	4,735,390	164,059
Restricted for:				
Replacement	126,095	-	126,095	-
Debt service	-	91,371	91,371	-
Unrestricted	13,098	187,241	200,339	165,099
Total net assets	\$ 4,488,510	\$ 664,685	5,153,195	\$ 329,158
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			5,935	
Net assets of business-type activities			\$ 5,159,130	

The accompanying notes are an integral part of this statement.

City of Scottville
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Proprietary Funds
For the year ended June 30, 2006

	Business-type Activities - Enterprise funds			Governmental activities- Internal service fund
	Sewer	Water	Total	
REVENUES				
Charges for services	\$ 302,110	\$ 175,776	\$ 477,886	\$ 78,975
OPERATING EXPENSES				
Administration	29,855	15,921	45,776	-
Operations	120,524	96,678	217,202	55,409
Depreciation	144,614	28,594	173,208	27,019
Total operating expenses	294,993	141,193	436,186	82,428
Operating income (loss)	7,117	34,583	41,700	(3,453)
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	6,170	9,182	15,352	5,226
Special assessments	13,688	-	13,688	-
Gain on sale of capital assets	-	-	-	2,000
Interest expense	(105,416)	(20,284)	(125,700)	(1,300)
Total nonoperating revenue (expenses)	(85,558)	(11,102)	(96,660)	5,926
Change in net assets	(78,441)	23,481	(54,960)	2,473
Net assets at July 1, 2005	4,566,951	641,204		326,685
Net assets at June 30, 2006	\$ 4,488,510	\$ 664,685		\$ 329,158
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(624)	
Change in net assets of business-type activities			\$ (55,584)	

The accompanying notes are an integral part of this statement.

City of Scottville
STATEMENT OF CASH FLOWS
Proprietary Funds
For the year ended June 30, 2006

	Business-type Activities - Enterprise funds			Governmental activities- Internal service fund
	Sewer	Water	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 300,224	\$ 174,371	\$ 474,595	\$ -
Receipts from interfund services provided	1,073	1,305	2,378	78,975
Payments to suppliers	(115,963)	(79,444)	(195,407)	(41,693)
Payments to employees	(27,711)	(31,416)	(59,127)	(13,346)
Payment for interfund services used	(6,700)	(7,290)	(13,990)	-
Net cash provided by operating activities	150,923	57,526	208,449	23,936
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital debt	-	-	-	53,458
Special assessments	11,701	-	11,701	-
Purchases of capital assets	-	-	-	(94,724)
Principal paid on capital debt	(100,265)	(34,000)	(134,265)	-
Interest paid on capital debt	(114,860)	(20,610)	(135,470)	-
Proceeds from sale of capital assets	-	-	-	2,000
Net cash used for capital and related financing activities	(203,424)	(54,610)	(258,034)	(39,266)
CASH FLOW FROM INVESTING ACTIVITIES				
Investment earnings	6,170	9,182	15,352	5,226
Net increase (decrease) in cash and investments	(46,331)	12,098	(34,233)	(10,104)
Cash and investments at July 1, 2005	197,128	270,076	467,204	176,963
Cash and investments at June 30, 2006	<u>\$ 150,797</u>	<u>\$ 282,174</u>	<u>\$ 432,971</u>	<u>\$ 166,859</u>
Reconciliation of cash and investments to balance sheet				
Cash and investments	\$ 24,702	\$ 188,903	\$ 213,605	\$ 166,859
Restricted assets	126,095	93,271	219,366	-
	<u>\$ 150,797</u>	<u>\$ 282,174</u>	<u>\$ 432,971</u>	<u>\$ 166,859</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 7,117	\$ 34,583	\$ 41,700	\$ (3,453)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation expense	144,614	28,594	173,208	27,019
Change in assets and liabilities				
Accounts receivable	1,687	(500)	1,187	-
Accounts payables	504	(4)	500	192
Accrued liabilities	14	308	322	178
Customer deposits	(2,500)	400	(2,100)	-
Due to other governmental units	(513)	(5,855)	(6,368)	-
Net cash provided by operating activities	<u>\$ 150,923</u>	<u>\$ 57,526</u>	<u>\$ 208,449</u>	<u>\$ 23,936</u>

The accompanying notes are an integral part of this statement.

City of Scottville
STATEMENT OF FIDUCIARY NET ASSETS
 Fiduciary Funds
 June 30, 2006

	<u>Trust Fund</u> <u>Riverside</u> <u>Park</u>	<u>Agency Fund</u> <u>Escrow Tax</u> <u>Trust</u>
ASSETS		
Cash and investments	\$ 10,834	\$ <u> 1,365</u>
LIABILITIES		
Due to other governmental units	<u> -</u>	<u> 1,365</u>
Total liabilities	<u> -</u>	\$ <u> 1,365</u>
NET ASSETS		
Held in trust for Riverside Park	\$ <u> 10,834</u>	

The accompanying notes are an integral part of this statement.

City of Scottville
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Fiduciary Funds
For the year ended June 30, 2006

	Riverside Park Memorial Trust Fund
	<u> </u>
ADDITIONS	
Investment gain	\$ <u> 280 </u>
Change in net assets	280
Net assets at July 1, 2005	<u> 10,554 </u>
Net assets at June 30, 2006	\$ <u><u> 10,834 </u></u>

The accompanying notes are an integral part of this statement.

City of Scottville
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Scottville (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity

The City is a municipal corporation governed by an elected seven member council with an appointed mayor. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

Blended Component Unit

Downtown Development Authority (DDA). The City appoints all Board members and approves annual budgets for the Authority, and the legal liability for the general obligation portion of the Authority's debt remains with the City. The Authority is reported as a special revenue fund.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

City of Scottville
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Streets Fund accounts for money distributed by the State of Michigan for construction and maintenance of major streets within the City.

The City reports the following major proprietary funds:

The Sewer Fund operates the City's sewage pumping station, collection systems and pays for access to the City of Ludington's sewage treatment plant.

The Water Fund operates the City's water distribution system.

Additionally, the City reports the following fund types:

The Internal Service Fund accounts for equipment management services provided to other funds of the government on a cost reimbursement basis.

The Private Purpose Trust Fund is used to account for resources held in trust for the Riverside Park.

The Agency Fund is custodial in nature and does not measure results of operations or have a measurement focus.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

City of Scottville
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of six months or less from the date of acquisition.

The City reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed and the City intends to hold the investment until maturity.

The City has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the City to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

City of Scottville
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The City bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on July 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollected real property taxes as of the following March 1 are turned over by the City to the County for collection. The County advances the City all of these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the City. The City recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2005 state taxable value for real/personal property of the City totaled approximately \$20,951,800 of which approximately \$1,883,800 was captured by the DDA. The ad valorem taxes levied consisted of 17.3659 mills for operation and 1.5 mills for garbage collection. An additional 2.0 mills is levied on all taxable value in the DDA district of approximately \$3,279,000. These amounts are recognized in the respective General Fund, Garbage and Refuse Collection Fund, and DDA General Fund with captured amounts also shown in the DDA General Fund.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

City of Scottville
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include only items acquired since July 1, 2003 as allowed by generally accepted accounting principles.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	15-40
Public domain infrastructure	20-30
System infrastructure and improvements	10-66
Vehicles and equipment	5-20

Compensated Absences

City employees are granted vacation and sick leave in varying amounts based on length of service. Accumulated vacation leave must be taken in the current calendar year. Upon termination, employees are paid for unused vacation at their current rates. Sick leave is accumulated at the rate of one day per month of employment up to 880 hours. Unused accumulated sick leave is paid to employees with 10 years or more of service who resign or retire, limited to 30 days, not to exceed \$4,000 per employee. The liability for these compensated absences is accrued when incurred in the government-wide and proprietary fund financial statements. The current portion of this liability is estimated based on historical trends. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

City of Scottville
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds, which adopt project-length budgets, and the permanent fund, which is not budgeted. All annual appropriations lapse at fiscal year end.

The City follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to June 30, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the City Hall to obtain taxpayer comments.
- c. Not later than the second Monday in May, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the City Council. All appropriations lapse at year end.

City of Scottville
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued

Budgetary Information—Continued

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. The City Council made several supplemental budgetary appropriations throughout the year.

Excess of Expenditures Over Appropriations

During the year ended June 30, 2006, actual expenditures exceeded appropriations for capital outlay in the General Fund by \$8,475 and public works in the Garbage and Refuse Collection by \$6,457. Those overexpenditures were funded with available fund balance.

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2006, the City had only cash and cash equivalents.

Interest rate risk. The City's investment policy limits investment maturities to five years or less and requires the overall weighted average duration of its entire portfolio be less than three years as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations (NRSROs). The City has no investment policy that would further limit its investment choices.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the City investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The City's investment policy limits various types of investments to certain percentages of the City's total investment portfolio as a means of managing its risk.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2006, \$1,608,307 of the City's bank balance of \$1,812,175 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy sets certain requirements for financial institutions to be eligible to do business with the City as a means to limit its risk.

Foreign currency risk. The City is not authorized to invest in investments which have this type of risk.

City of Scottville
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Restricted Assets

Restrictions are placed on assets by bond ordinance and City Council action. At June 30, 2006, restricted cash and investments in the City are restricted as follows:

Water Fund	
Repairs and maintenance	\$ 31,002
Bond and interest redemption fund	8,351
Bond reserve fund	<u>53,918</u>
	93,271
Sewer Fund	
Replacement reserve fund	<u>126,095</u>
	<u>\$ 219,366</u>

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 171,359	\$ -	\$ -	\$ 171,359
Capital assets, being depreciated:				
Land improvements	71,046	-	-	71,046
Buildings and improvements	669,059	-	-	669,059
Vehicles and equipment	766,740	94,724	8,750	852,714
Construction in progress	<u>7,001</u>	<u>86,172</u>	<u>-</u>	<u>93,173</u>
Total capital assets, being depreciated	1,513,846	180,896	8,750	1,685,992
Less accumulated depreciation:				
Land improvements	-	3,552	-	3,552
Buildings and improvements	318,100	13,141	-	331,241
Vehicles and equipment	<u>596,802</u>	<u>34,166</u>	<u>8,750</u>	<u>622,218</u>
Total accumulated depreciation	<u>914,902</u>	<u>50,859</u>	<u>8,750</u>	<u>957,011</u>
Total capital assets, being depreciated, net	<u>598,944</u>	<u>130,037</u>	<u>-</u>	<u>728,981</u>
Capital assets, net	<u>\$ 770,303</u>	<u>\$ 130,037</u>	<u>\$ -</u>	<u>\$ 900,340</u>

City of Scottville
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE D—CAPITAL ASSETS—Continued

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 6,457	\$ -	\$ -	\$ 6,457
Capital assets, being depreciated:				
Water system	1,311,496	-	-	1,311,496
Sewer system	7,217,840	-	-	7,217,840
Equipment and furniture	76,894	-	-	76,894
Total capital assets, being depreciated	8,606,230	-	-	8,606,230
Less accumulated depreciation:				
Water system	527,861	24,498	-	552,359
Sewer system	295,271	143,915	-	439,186
Equipment and furniture	56,644	4,795	-	61,439
Total accumulated depreciation	879,776	173,208	-	1,052,984
Total capital assets, being depreciated, net	7,726,454	(173,208)	-	7,553,246
Capital assets, net	\$ 7,732,911	\$ (173,208)	\$ -	\$ 7,559,703

Depreciation

Depreciation expense has been charged to functions as follows:

Governmental activities:

General government	\$ 2,817
Public safety	3,919
Public works	5,357
Culture and recreation	11,747
Internal Service Fund depreciation is charged to the various programs based on their usage of the assets.	27,019
	<u>\$ 50,859</u>

Business-type activities:

Sewer	\$ 144,614
Water	28,594
	<u>\$ 173,208</u>

City of Scottville
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE E—INTERFUND TRANSFERS

The composition of interfund transfers as of June 30, 2006 is as follows:

Interfund transfers:

	Transfers in:			Total	Purpose
	General Fund	Major Streets Fund	Other governmental funds		
Transfers out:					
General Fund	\$ -	\$ -	\$ 31,000	\$ 31,000	Operations subsidy
Major Streets Fund	-	-	34,974	34,974	Operations subsidy and debt service
Other governmental funds	3,000	354	28,189	31,543	Debt service and close funds
Total	\$ <u>3,000</u>	\$ <u>354</u>	\$ <u>94,163</u>	\$ <u>97,517</u>	

NOTE F—DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue, which represented unearned revenue reported in the governmental funds were for camping fees in the amount of \$11,800.

NOTE G—LONG-TERM DEBT

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due within one year
Governmental activities:					
General obligation bonds	\$ 41,600	\$ -	\$ 26,000	\$ 15,600	\$ 15,600
Michigan Transportation Fund bonds	47,000	-	23,000	24,000	24,000
Installment purchase agreements	1,089	53,458	1,089	53,458	10,000
Landfill remediation costs	243,600	134,626	28,226	350,000	17,500
Compensated absences	34,042	14,709	10,851	37,900	12,000
Governmental activity long-term liabilities	\$ <u>367,331</u>	\$ <u>202,793</u>	\$ <u>89,166</u>	\$ <u>480,958</u>	\$ <u>79,100</u>

City of Scottville
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE G—LONG-TERM DEBT—Continued

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due within one year
Business-type activities:					
Revenue bonds	\$ 2,893,293	\$ -	\$ 68,980	\$ 2,824,313	\$ 65,500
Advance from county	<u>65,285</u>	<u>504</u>	<u>65,789</u>	<u>-</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 2,958,578</u>	<u>\$ 504</u>	<u>\$ 134,769</u>	<u>\$ 2,824,313</u>	<u>\$ 65,500</u>

Governmental activities:

General obligation bonds:

\$137,000 General Obligation Limited Tax Refunding Bonds series 2001; final payment of \$15,600 due January 2007; interest at 7.0%	\$ 15,600
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Michigan Transportation Fund Bonds:

\$95,000 Michigan Transportation Fund Bonds series 2001; final payment of \$24,000 due February 2007; interest at 4.2%	24,000
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Installment purchase agreements:

\$53,458 Installment Purchase Contract of 2005 payable in annual installments of \$11,839 through October 2010; including interest at 3.45%	53,458
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Landfill remediation costs

Landfill remediation costs estimated annual cost of approximately \$17,500 through June 2026 (note H)	<u>350,000</u>
	443,058
Compensated absences	<u>37,900</u>
	<u>\$ 480,958</u>

City of Scottville
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE G—LONG-TERM DEBT—Continued

Business-type activities:

Revenue bonds:

\$720,000 Water supply revenue bonds of 1975 due in annual installments of \$30,000 through January 2014; interest at 5%	\$ 240,000
\$375,000 Obligation to Mason County payable due in annual installments of \$10,000 to \$25,000 through March 2030; interest at rates varying from 4.4% to 5.6%	365,000
\$2,271,215 Obligation to Mason County due in annual installments of \$24,400 to \$113,600 through April 2043; interest at 4.5%	<u>2,219,313</u>
	<u><u>\$ 2,824,313</u></u>

The general obligation bonds are backed by the full faith and credit of the City.

The City was in compliance in all material respects with all the revenue bond ordinances at June 30, 2006.

Annual debt service requirements to maturity for debt outstanding as of June 30, 2006 follows:

Year ending June 30	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2007	67,100	4,100	65,500	131,000
2008	27,800	1,500	68,400	127,900
2009	28,200	1,200	68,400	124,700
2010	28,600	800	68,400	121,500
2011	28,900	334	69,000	118,200
2012-2016	87,500	-	306,900	541,800
2017-2021	87,500	-	282,300	476,400
2022-2026	87,458	-	353,300	404,200
2027-2031	-	-	417,000	313,300
2032-2036	-	-	401,400	219,500
2037-2041	-	-	500,200	120,500
2042-2044	-	-	223,513	15,356
	<u>\$ 443,058</u>	<u>\$ 7,934</u>	<u>\$ 2,824,313</u>	<u>\$ 2,714,356</u>

City of Scottville
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE H—OTHER INFORMATION

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City manages its liability and property risk by participating in the Michigan Municipal Risk Management Authority (MMRMA), a public entity risk pool providing property and liability coverage to its participating members. The City pays an annual premium to MMRMA for its insurance coverage. The MMRMA is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The City manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Fund (MMWCF), a public entity risk pool providing workers' compensation coverage to its participating members. The City pays an annual premium to MMWCF for its workers' compensation coverage. The MMWCF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The City carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Landfill Remediation

During 1996, The City completed the landfill remediation project. As part of the landfill remediation, the City must continue to monitor the area. The monitoring will be done through the testing of well samples twice a year for at least thirty years. The estimated liability is reported in Note G. The liability is estimated based on the average actual costs over three years, then extrapolated to the number of years remaining. The change in estimate this year resulted in an increase to the liability for governmental activities at July 1, 2005 of \$134,626.

City of Scottville
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE I—EMPLOYEE PENSION PLAN

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time City employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. The City contributes 10 percent of participating employees' annual compensation each plan year. Total match contributions for the year ended June 30, 2006 was approximately \$31,800.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

NOTE J—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 23 percent of General Fund revenues.

NOTE K—SUBSEQUENT EVENTS

In July 2006, the City purchased a new truck for about \$17,000.

In August 2006, the City committed to purchasing land and a building for the construction of a new City hall for \$125,000.

REQUIRED SUPPLEMENTARY INFORMATION

City of Scottville
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2006

	Budgeted amounts		Actual	Variance with final budget - positive (negative)
	Original	Final		
REVENUES				
Property taxes	\$ 316,000	\$ 346,000	\$ 353,148	\$ 7,148
Licenses and permits	5,680	7,430	7,343	(87)
Intergovernmental revenues - state	160,000	160,000	163,989	3,989
Charges for services	154,525	156,775	148,261	(8,514)
Fines and forfeitures	3,000	3,000	1,887	(1,113)
Investment earnings	10,000	21,000	29,606	8,606
Other	13,374	13,374	10,290	(3,084)
Total revenues	662,579	707,579	714,524	6,945
EXPENDITURES				
Current				
General government				
City commission	33,033	40,533	44,069	(3,536)
City manager	68,742	68,742	69,147	(405)
Elections	2,794	2,794	2,287	507
Assessor and board of review	15,660	15,660	12,720	2,940
Clerk	15,883	16,708	16,518	190
Treasurer	36,994	36,994	38,146	(1,152)
City hall and grounds	34,327	37,327	34,231	3,096
Parking lot and mall	9,391	10,441	9,562	879
Brookside Cemetery	23,581	23,581	16,645	6,936
Public safety				
Police department	157,712	157,712	152,576	5,136
Fire department	30,142	30,142	23,302	6,840
Zoning inspections	4,961	4,961	4,961	-
Public works				
Department of public works	65,488	82,038	77,192	4,846
Alleys and sidewalks	2,760	3,180	2,478	702
Street lighting	21,500	21,500	20,662	838
Culture and recreation				
Recreation department	48,658	48,658	44,578	4,080
Riverside Park and grounds	69,961	68,581	69,156	(575)
Debt service				
Principal	1,089	1,089	1,089	-
Interest and fees	32	32	32	-
Capital outlay	-	3,600	12,075	(8,475)
Total expenditures	642,708	674,273	651,426	22,847
Excess of revenues over (under) expenditures	19,871	33,306	63,098	29,792
OTHER FINANCING SOURCES (USES)				
Transfers in	2,000	2,000	3,000	1,000
Transfers out	(9,000)	(31,000)	(31,000)	-
Total other financing sources (uses)	(7,000)	(29,000)	(28,000)	1,000
Net change in fund balance	\$ 12,871	\$ 4,306	35,098	\$ 30,792
Fund balance at July 1, 2005			727,462	
Fund balance at June 30, 2006			\$ 762,560	

City of Scottville
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Major Streets Fund
For the year ended June 30, 2006

	Budgeted amounts			Variance with final budget - positive (negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental revenues				
Federal	\$ -	\$ 60,000	\$ 28,986	\$ (31,014)
State	87,000	87,000	93,646	6,646
Investment earnings	<u>1,550</u>	<u>5,550</u>	<u>6,132</u>	<u>582</u>
Total revenues	88,550	152,550	128,764	(23,786)
EXPENDITURES				
Current				
Public works				
Maintenance	16,993	21,993	17,753	4,240
Traffic services	1,036	1,036	192	844
Trunkline maintenance	15,280	15,280	14,119	1,161
Winter maintenance	13,521	13,521	12,353	1,168
Administration	575	575	539	36
Capital outlay	<u>75,000</u>	<u>100,000</u>	<u>74,097</u>	<u>25,903</u>
Total expenditures	<u>122,405</u>	<u>152,405</u>	<u>119,053</u>	<u>33,352</u>
Excess of revenues over (under) expenditures	(33,855)	145	9,711	9,566
OTHER FINANCING SOURCES (USES)				
Transfers in	20,000	-	354	354
Transfers out	<u>(34,794)</u>	<u>(34,794)</u>	<u>(34,974)</u>	<u>(180)</u>
Total other financing sources (uses)	<u>(14,794)</u>	<u>(34,794)</u>	<u>(34,620)</u>	<u>174</u>
Net change in fund balance	\$ <u>(48,649)</u>	\$ <u>(34,649)</u>	(24,909)	\$ <u>9,740</u>
Fund balance at July 1, 2005			<u>195,751</u>	
Fund balance at June 30, 2006			<u>\$ 170,842</u>	

OTHER SUPPLEMENTAL INFORMATION

City of Scottville
COMBINING BALANCE SHEET
Other Governmental Funds
June 30, 2006

		Special Revenue					Debt Service				Permanent
	Total other governmental funds	Local Streets	Garbage and Refuse Collection	DDA Operations	Law Enforcement	Capital Project	1992 Street Debt	1996 Street Debt	2001 Street Debt	DDA Debt	Cemetery Perpetual
ASSETS											
Cash and investments	\$ 258,345	\$ 39,432	\$ 42,533	\$ 50,762	\$ 1,950	\$ 33,650	\$ -	\$ 1,196	\$ -	\$ -	\$ 88,822
Accounts receivable	12	-	12	-	-	-	-	-	-	-	-
Due from other governmental units	4,371	4,371	-	-	-	-	-	-	-	-	-
Inventories	2,954	-	2,954	-	-	-	-	-	-	-	-
Total assets	<u>\$ 265,682</u>	<u>\$ 43,803</u>	<u>\$ 45,499</u>	<u>\$ 50,762</u>	<u>\$ 1,950</u>	<u>\$ 33,650</u>	<u>\$ -</u>	<u>\$ 1,196</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,822</u>
LIABILITIES AND FUND BALANCES											
Liabilities											
Accounts payable	\$ 5,702	\$ -	\$ 3,443	\$ 2,259	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	288	288	-	-	-	-	-	-	-	-	-
Due to other governmental units	655	-	655	-	-	-	-	-	-	-	-
Total liabilities	6,645	288	4,098	2,259	-	-	-	-	-	-	-
Fund balances											
Reserved for:											
Inventories	2,954	-	2,954	-	-	-	-	-	-	-	-
Debt service	1,196	-	-	-	-	-	-	1,196	-	-	-
Capital projects	33,650	-	-	-	-	33,650	-	-	-	-	-
Rights of way maintenance	14,238	14,238	-	-	-	-	-	-	-	-	-
Perpetual care	88,822	-	-	-	-	-	-	-	-	-	88,822
Unreserved	118,177	29,277	38,447	48,503	1,950	-	-	-	-	-	-
Total fund balances	<u>259,037</u>	<u>43,515</u>	<u>41,401</u>	<u>48,503</u>	<u>1,950</u>	<u>33,650</u>	<u>-</u>	<u>1,196</u>	<u>-</u>	<u>-</u>	<u>88,822</u>
Total liabilities and fund balances	<u>\$ 265,682</u>	<u>\$ 43,803</u>	<u>\$ 45,499</u>	<u>\$ 50,762</u>	<u>\$ 1,950</u>	<u>\$ 33,650</u>	<u>\$ -</u>	<u>\$ 1,196</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,822</u>

City of Scottville
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Other Governmental Funds
For the year ended June 30, 2006

	Total other governmental funds	Special Revenue					Debt Service				Permanent
		Local Streets	Garbage and Refuse Collection	DDA Operations	Law Enforcement	Capital Project	1992 Street Debt	1996 Street Debt	2001 Street Debt	DDA Debt	Cemetery Perpetual
REVENUES											
Property taxes	\$ 73,881	\$ -	\$ 29,183	\$ 44,698	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues											
State	30,901	30,901	-	-	-	-	-	-	-	-	-
Charges for services	31,485	-	30,435	-	-	-	-	-	-	-	1,050
Investment earnings	10,746	730	2,392	2,467	-	871	-	-	-	-	4,286
Total revenues	147,013	31,631	62,010	47,165	-	871	-	-	-	-	5,336
EXPENDITURES											
Current											
General government	13,515	-	-	13,460	-	-	-	-	-	-	55
Public works	124,215	79,059	45,156	-	-	-	-	-	-	-	-
Debt service											
Principal	77,226	-	28,226	-	-	-	-	15,000	23,000	11,000	-
Interest and fees	4,708	-	-	-	-	-	-	2,142	1,974	592	-
Total expenditures	219,664	79,059	73,382	13,460	-	-	-	17,142	24,974	11,592	55
Excess of revenues over (under) expenditures	(72,651)	(47,428)	(11,372)	33,705	-	871	-	(17,142)	(24,974)	(11,592)	5,281
OTHER FINANCING SOURCES (USES)											
Transfers in	94,163	41,577	-	-	-	-	-	17,142	24,974	10,470	-
Transfers out	(31,543)	-	-	(27,612)	-	-	(931)	-	-	-	(3,000)
Total other financing sources (uses)	62,620	41,577	-	(27,612)	-	-	(931)	17,142	24,974	10,470	(3,000)
Net change in fund balances	(10,031)	(5,851)	(11,372)	6,093	-	871	(931)	-	-	(1,122)	2,281
Fund balances at July 1, 2005	269,068	49,366	52,773	42,410	1,950	32,779	931	1,196	-	1,122	86,541
Fund balances at June 30, 2006	\$ 259,037	\$ 43,515	\$ 41,401	\$ 48,503	\$ 1,950	\$ 33,650	\$ -	\$ 1,196	\$ -	\$ -	\$ 88,822